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SUBJECT: GARCIA NAMES FAMOUS ECONOMIST AS PTPA PROMOTER

11. (U) Summary. On August 17, President Garcia named renowned economist Hernando de Soto as his "personal representative" to obtain the U.S. Congress' ratification of the U.S.-Peru Trade Promotion Agreement (PTPA). De Soto, a world-renowned economist and author of "The Other Path," has reportedly taken the position without pay. The announcement was seen as a major coup by the business sector. In its initial public statements about the appointment, the Garcia Administration has played down the lobbying aspect of the job and stressed De Soto's well-known interest in issues related to poverty reduction. Full bio to be reported SEPTEL. End Summary.

Why De Soto?

12. (U) De Soto is the most popular economist/public thinker in Peru. While an avid supporter of free market economics, he has also been a vocal advocate for inclusion of the working poor in the economy. The combination gives him credibility among both conservatives and liberals. His close relationship with former President Clinton is seen as a plus, as the moderate Democrats are considered the most likely to support the PTPA in the U.S. Congress.

Who Is He?

13. (SBU) An economist, De Soto is best known for his two international best-sellers, "The Other Path" (1989) and "The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else" (2000), which propose a blueprint for economic reform in emerging markets focusing on streamlining government, reducing red tape, and harnessing the strengths of informal economies. In 1980 he founded the non-profit Institute for Liberty and Democracy (ILD) to help spread the benefits of a market economy to the poor, and to examine the positive role of the informal economy. De Soto and ILD were responsible for some 400 initiatives, laws, and regulations that modernized Peru's economic system, particularly by reforming Peru's property rights. Some 30 heads of state have since consulted with him on programs in their countries. De Soto previously served as Governor of Peru's Central Reserve Bank, President Alberto Fujimori's personal representative and principal advisor (1990-2), an economist for the General Agreement on Tariffs and Trade (GATT), President of the Executive Committee of the Copper Exporting

Countries Organization (CIPEC), Managing Director of Universal Engineering, and a principal of the Swiss Bank Corporation Consultant Group.

What's the Message?

14. (SBU) Ambassador Struble will meet privately with De Soto on August 22 to discuss the PTPA, and the contents of that meeting will be reported SEPTEL. The initial statements by members of the Administration emphasized that De Soto will seek to make sure that smaller businesses and consumers have access to the opportunities created by the Agreement. That message is probably more for domestic consumption, since the negotiations are already over and the Agreement has already been ratified by the Peruvian Congress. Most likely, given De Soto's policy interests, is that he will stress to the U.S. Congress and policy opinion makers that the pathway to economic development and political stability for Peru must include a trade agreement with the United States. He will argue that the Agreement will foster the growth of the formal sector of the economy, which will create more and better paying jobs.

Playing Well In Lima - The Initial Reaction

15. (SBU) The decision to name De Soto was widely hailed among economists and op-ed columnists alike. Carlos Bruce, head of the Peruvian Congress' Committee on Foreign Trade, praised De Soto as "first-rate". Former Peruvian PTPA negotiator and Trade Vice Minister Pablo de la Flor echoed De Soto's own statements about the need domestically to expand the support base for the Agreement. In discussions with working-level contacts in the Ministries, Econoffs found universal pride with the appointment of De Soto. These contacts cited De Soto's past working relationships with former President Clinton, and the impact his ideas have had in the United States. With his U.S. experience and intellectual power, they hope he will be able to explain to the U.S. Congress how the PTPA will improve the lives of Peruvians and Americans, and allay their concerns. They note that when De Soto spoke to U.S. Congressional audiences over the past years, the legislators themselves (not just their staffers) packed the room.

Conclusion - Best Choice

16. (SBU) De Soto appears to be an excellent choice for Peru, since he is generally held in high regard here by both conservatives and liberals. He is well known and admired at think tanks and on the Hill in Washington, and holds the confidence of Members on both sides of the aisle. The GOP is also in the process of selecting a new lobbying group in Washington, to be decided in the next days. Nevertheless, De Soto should be an effective public face of the campaign to win Congressional approval.

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